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## Downtown hotel deals canceled as credit markets continue to roil

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October 4, 2008

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Shaky financial markets have forced cancellation of two hotel projects downtown.

Strategic Hotels & Resorts Inc. said Friday it has withdrawn from the purchase of hotel space within the Aqua condominium tower under construction at 225 N. Columbus. The 82-story Aqua is part of the Lakeshore East residential complex.

Also, plans for a hotel near Lake and Canal have collapsed, said Greg Van Schaack, senior vice president at Hines Interests LP. Harp Group Inc. was unable to secure loans for the proposed 26-story building, said Van Schaack, whose company had agreed to sell the property.

Van Schaack said trouble in the credit markets has not affected Hines' plans for a 52-story office building elsewhere at the Lake-Canal site. With major leases already signed, the project is viable and construction will start by year end, he said.

Strategic said it was backing out of plans to buy 15 floors within Aqua to run as an extension of its Fairmont Chicago Hotel. In September 2006, it agreed to pay \$82.4 million for the floors.

The cancellation will result in a onetime charge of \$36 million, including the loss of a \$28 million deposit, Strategic said. The Chicago-based company said the decision will improve its capital position.

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